

GAO

Report to the Chairman, Committee on
International Relations, House of
Representatives

October 1999

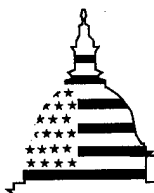
FOREIGN ASSISTANCE

North Korea Restricts Food Aid Monitoring



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Accountability * Integrity * Reliability

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Abbreviations

EU	European Union
MSF	Medecins Sans Frontieres
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WFP	The World Food Program



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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-283605

October 8, 1999

The Honorable Benjamin A. Gilman
Chairman, Committee on International Relations
House of Representatives

Dear Mr. Chairman:

The United States is one of the largest donors of emergency food to North Korea, with cumulative donations since 1995 valued at about \$365 million. Most U.S. food aid is channeled through the United Nation's World Food Program and as of June 1999 accounted for approximately 88 percent of the World Food Program's distributions to North Korea. According to the Department of State and the World Food Program, food aid is being provided for humanitarian purposes and is intended to be distributed primarily to children, women, and the elderly at schools, hospitals, and other institutions. The Department of State also believes that food donations may improve the climate of the bilateral relationship with North Korea on a host of issues, including concerns about North Korea's development of nuclear weapons and the maintenance of peace on the Korean peninsula. Concerned about whether the World Food Program can adequately account for U.S. government-donated food aid to North Korea and prevent possible diversions of food aid to the military and ruling elite, you asked us to examine the procedures the World Food Program has established and implemented to monitor and report on U.S. government-donated food aid provided to North Korea.¹

In carrying out this work, North Korea did not allow us to conduct an in-country review of the World Food Program's procedures to monitor U.S. food aid. However, we collected and analyzed information from the U.S. Departments of Agriculture and State and the U.S. Agency for International Development and a consortium of U.S. private voluntary organizations that have used World Food Program monitoring systems in North Korea. We also performed interviews at and analyzed information from World Food

¹A second GAO review, *Nuclear Nonproliferation: Status of Heavy Fuel Oil Delivered to North Korea Under the Agreed Framework* (GAO/RCED-99-276, Sept. 30, 1999), addresses your concerns over deliveries of heavy fuel oil to North Korea under the Agreed Framework between the United States of America and the Democratic People's Republic of Korea (North Korea).

Program headquarters in Rome, Italy; met in Washington, D.C., with the World Food Program's country director for North Korea; and obtained written responses to our questions on control procedures from the World Food Program's country office in North Korea.

The World Food Program is the largest provider of donated food in the world, and its emergency operation in North Korea is one of its largest. The World Food Program negotiates implementation agreements with host governments and nongovernmental organizations that distribute the food. The World Food Program's policy manual, *Food Aid in Emergencies*, prescribes standard language for these agreements, requiring—as in the case of North Korea—that (1) distributions of World Food Program food aid be monitored by the host country or nongovernmental recipient, and (2) food use and program audit reports be provided to the World Food Program. Once food relief projects have begun, the World Food Program is responsible for monitoring the distribution of the food to ensure that host governments and nongovernmental recipients use it in accordance with the agreements. The U.S. Agency for International Development and the U.S. Department of Agriculture coordinate U.S. donations to the World Food Program, while the Department of State is responsible for setting broad U.S. policy toward the World Food Program and North Korea.

Results in Brief

U.S. policy is that no food aid will be provided to North Korea if it cannot be adequately monitored. The World Food Program has established procedures to track and monitor food aid deliveries in North Korea. However, the North Korean government has not allowed the World Food Program to fully implement its procedures, and as a result, it cannot be sure that the food aid is being shipped, stored, or used as planned. Specifically, the North Korean government, which controls food distribution, has denied the World Food Program full access to the food distribution chain and has not provided required reports on food use. Consequently, the World Food Program cannot be sure it is accurately reporting where U.S. government-donated food aid is being distributed in North Korea.

This report contains recommendations for improving accountability over food aid by using diplomatic means to encourage North Korea to allow greater oversight over food distribution and encourages the World Food Program to provide more comprehensive and timely reporting on food aid distributions within North Korea.

Background

Established by the United Nations in 1961, the World Food Program (WFP) is supported by voluntary contributions from donor countries and in 1998 received more than \$875 million worth of contributions from the United States, which is by far WFP's largest donor. In 1998, WFP distributed nearly 70 percent of all global food aid, feeding an estimated 75 million people that year. WFP operates in some of the most difficult environments in the world. These include food operations in East Timor, Kosovo, and numerous other countries that present political and security challenges for the delivery and monitoring of food aid.

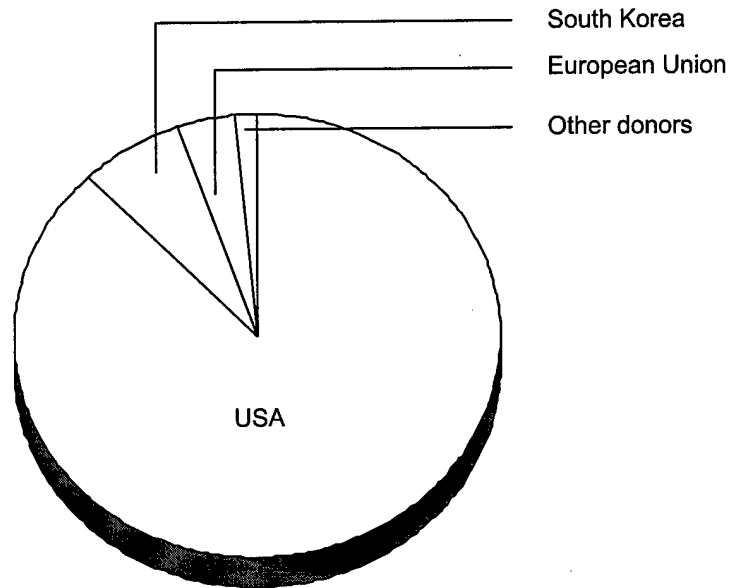
Although WFP donations generally become the property of the recipient government once they arrive at port on a ship or cross the border on a train, WFP has a responsibility to its donors to ensure that donations are responsibly managed and reach targeted beneficiaries. WFP carries out its responsibility for accountability in part by negotiating implementation agreements with recipient governments and nongovernmental organizations that distribute its food aid. In most countries in which it operates, including North Korea, WFP is not directly responsible for food aid distribution, which is the responsibility of the recipient government.

In 1998 the United States provided more than four-fifths of all WFP food aid to North Korea² (see fig. 1 and 2). WFP donations are intended to help feed over 6.5 million people—primarily children, mothers, and the elderly—out of a population of approximately 23.5 million.³ The World Food Program plans to deliver more food to North Korea in 1999—primarily anticipated donations from the United States—than it plans to provide to any other country in the world.

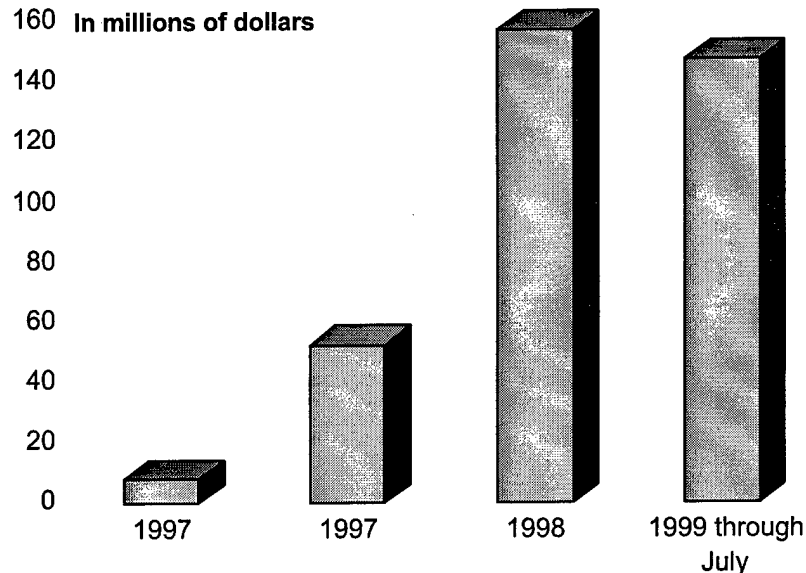
²The volume and composition of bilateral food transfers, either donations or subsidized commercial purchases, between China and North Korea is unknown. WFP, however, estimates that China has provided North Korea over 2 million metric tons of food, including maize, maize meal, rice, wheat, and wheat flour, since 1995. WFP's country director in North Korea reported that Syria is also thought to have provided 42,000 metric tons of bilateral food aid in 1998.

³U.S. government-donated food has included cornmeal, blended corn-soya, bulgur wheat, maize, rice, wheat, wheat flour, and vegetable oil.

Figure 1: Tons of Food Contributed to North Korea Through WFP From the United States and Other Donors, January 1998 – June 1999



Source: WFP.

Figure 2: U.S. Contributions to North Korea Through WFP, 1996 – July 1999

Source: WFP.

WFP reported in 1998 that approximately 66 percent of food aid donated to North Korea was distributed to institutions such as nurseries, schools, and hospitals and that approximately 34 percent was distributed to unemployed laborers through food-for-work projects. (In food-for-work projects, food rations are used to compensate laborers and their families working on agricultural rehabilitation projects.)

U.S. policy is that food aid will not be provided to North Korea if it cannot be adequately monitored. To assist WFP in its monitoring, the U.S. Agency for International Development (USAID), beginning in 1997, and the U.S. Department of Agriculture (USDA), beginning in 1998, have given approximately \$4.5 million to allow a consortium of U.S. private voluntary organizations—known as the Consortium—to monitor portions of U.S. donations provided through WFP to North Korea.⁴ The Consortium also

⁴The composition of the Consortium changes from time to time, but the core member nongovernmental organizations include Amigos Internacionales, CARE, Catholic Relief Services, Mercy Corps, and World Vision.

manages food-for-work projects with U.S. donations provided through WFP. The Consortium operates in close coordination with WFP's country office in North Korea, uses WFP tracking and monitoring procedures, and reports to WFP's country director for North Korea. State, USAID, and USDA officials have also participated in donor missions to observe WFP operations in North Korea.

WFP began food relief operations in North Korea in 1995 with three WFP staff (of which one was a full-time food monitor⁵) operating out of a single office in Pyongyang, the capital city. In that first year, North Korean authorities distributed 20,000 metric tons of WFP food aid to a few of North Korea's 211 counties. By 1999, WFP had begun its fifth consecutive relief operation, and its 46 staff (of which about 19 are full-time food monitors) were responsible for monitoring the distribution within 162 counties of hundreds of thousands of tons of food aid from their Pyongyang headquarters and five regional suboffices.

State, USDA, and USAID officials told us that international food aid has helped improve food availability in North Korea. Rather than widespread famine, which killed an undetermined number of people, there is now localized starvation and general nutritional deprivation. However, the actual scale of humanitarian suffering in North Korea remains unknown and widely debated. Although WFP performed a baseline nutritional survey in September 1998, WFP said that, despite repeated requests, North Korea has not permitted follow-up nutritional assessments. Officials from many relief organizations, including WFP, say that—because of North Korean constraints on access—the national level of need cannot be accurately determined.

According to nongovernmental organizations operating in North Korea, European Union reports, WFP, and other U.N. officials, successive floods and droughts since the mid-1990s have exacerbated food shortages. However, natural disasters are not the principal cause of continuing hunger in North Korea. A lack of arable land (18 to 20 percent of this mountainous country is arable) and fertilizers, poor agricultural and economic policies, subsequent economic collapse and an inability to afford commercial food

⁵A food monitor's responsibilities, according to WFP's policy manual, Food Aid in Emergencies, include (1) analyzing reports received from ports, regional and local warehouses, and distributing agencies; (2) conducting visits to distribution centers to inspect records of actual stocks; and (3) spot-checking actual distributions and observing distribution procedures.

imports to replace subsidized imports from former Soviet states, and a reluctance to institute economic and agricultural reforms are widely considered to have transformed North Korea's normal state of food import dependence into a chronic, life-threatening food shortage. The agricultural and food situation in North Korea, therefore, cannot be separated from the overall political system and economic condition of the country.

North Korea Limits Ability of WFP to Ensure Accountability

The World Food Program and State officials told us that there is no evidence of significant diversions of food aid to the military or governing elite in North Korea and that they have confidence in WFP's ability to account for food aid in North Korea. However, neither organization can provide assurance that food aid is being managed according to plan and is reaching the intended beneficiaries because North Korea controls distribution of the food aid and restricts WFP's ability to monitor how the food is used. The North Korean government has imposed constraints on WFP monitors, who do not have random access at all stages of the food distribution process. U.S. private voluntary organizations, State, USAID, and others have reported that North Korea has prevented effective monitoring of a significant portion of food donations, making it impossible to verify whether food has reached the target beneficiaries.

WFP Food Aid Accountability Standards

According to WFP's policy manual, Food Aid in Emergencies (Book A, Policies and Principles, 1991), (1) WFP is responsible for assuring donors that their donations are properly used and (2) recipient governments are responsible for facilitating WFP's oversight of their use of WFP food. WFP's policy manual provides standard language for agreements between WFP and recipient governments that stipulate basic accountability, monitoring, and reporting requirements to help achieve these accountability objectives. For example, WFP's standard agreement language specifies that a recipient government (1) "is responsible for ensuring that the commodities...are properly received, handled, distributed to the specified target beneficiaries, and accounted for"; (2) "will take measures to prevent unauthorized utilization of the commodities and ensure that the commodities are exclusively distributed to the beneficiaries"; and (3) within a specified period after the date the food aid program is completed, "the government will furnish WFP...a final report with final accounts which have been audited and certified by the auditor appointed or authorized by the [North Korean] Government." These audit reports should, as described in the policy manual, provide WFP information on (1) the number of beneficiaries; (2) the quantities of food received; (3) where food was

distributed; (4) losses incurred, including the causes and measures taken to reduce losses; (5) the use of subsidies provided; (6) the impact on the beneficiaries' nutritional condition as a result of WFP food donations; and (7) lessons learned.

According to WFP's policy manual, monitoring includes (1) a careful analysis of reports received from "all operational units, including ports, regional and local-level warehouses, and distributing agencies"; (2) "frequent visits to [distribution centers] to inspect records and actual stocks"; and (3) "spot-checking actual [distributions] and observing distribution procedures." WFP's standard agreement language on monitoring further specifies that the recipient government "will facilitate travel within the country of WFP officers and consultants and their access to all ports, stores, transshipment and distribution points where WFP-supplied commodities are received, stored, handled and distributed, in order to observe the handling, distribution and use of the commodities and any other inputs provided by WFP, and to observe operations at all stages."

WFP has completed four food relief operations and is conducting its fifth in North Korea. Each operation, typically about a year in duration, is governed by an agreement between WFP and the North Korean government. The agreements incorporate WFP's standard language on monitoring and reporting. For example, North Korea agreed to facilitate WFP's access to all distribution points and to allow WFP to observe the use of their food donations.

According to WFP's policy, the Executive Director can withdraw assistance or ask for restitution of donated food if a country has not met its obligation under its agreements with WFP. WFP's policy states that the Executive Director is charged with correcting (in consultation with the recipient government) any inadequacies in project operations if it is determined that recipient governments have not abided by their agreements with WFP. It also states that the Executive Director may withdraw assistance in the event that essential corrections are not made. WFP's agreement with North Korea states that in the event of a failure by one party to fulfill any of its obligations under the agreement, the other party may suspend or terminate the agreement.

Senior WFP officials told us that they have invested heavily in a comparatively large country presence, including 46 WFP staff (of which about 19 are dedicated monitors) that in recent months conducted more than 300 monitoring visits per month from WFP's six offices. According to

WFP officials, monitors typically develop weekly monitoring plans and share these plans with North Korean government officials to get their approval on which counties they can visit. Once in the county, they select warehouses and conduct a paper check based on the food tracking system in place. After this, WFP monitors request that they be taken to a specific type of institution, such as a kindergarten or a hospital, where WFP food was sent. WFP officials said that county officials then determine which hospital or school the monitors can visit. Once at the institution, the monitors check the records, food stocks, and facilities.

WFP Accountability for Food Aid Largely Depends on North Korean Government

WFP is responsible to its donors to ensure food is used as intended. WFP's officials told us one of the primary mechanisms they rely on in North Korea is the extreme degree of order imposed by the government, a communist dictatorship, on all facets of society. We were also told that diversions of food were unlikely because (1) the Army and party elite have preferential access to national agricultural production (which is mainly rice and more desirable than WFP's wheat donations), (2) China and other countries provide food aid that can be used by the military and elite, (3) the Army has its own agricultural production, (4) there is a culture of respect for state authority, and (5) intense regimentation of all sectors of society precludes theft. The "cultural element," we were told, is a natural safeguard in WFP's operations in North Korea because it minimizes the risk of diversions due to larceny and petty corruption. WFP further describes its operations in North Korea as essentially a North Korean government program, in which WFP's role is to help North Korean authorities implement the program by providing advice, establishing internal control systems, monitoring to see if systems work, and training government officials in food management.

WFP's Tracking System in North Korea Does Not Adequately Track Food From Time of Arrival to Distribution to Final Beneficiaries

The internal transport of WFP food in North Korea is the responsibility of the North Korean government. WFP and the North Korean government established a food tracking system in 1997 to collect information from the government about its distribution of WFP food. WFP attempts to track food aid trucked from the ports to county warehouses using this system, called the "consignment note system," which is administered by North Korean authorities. The tracking system uses multiple, color-coded waybills written in English and Korean. (A waybill is a document prepared by the carrier of a shipment of goods that identifies the contents of the shipment and the location where the food will be delivered.) Waybills are prepared by North Korean authorities when a truck leaves a port or rail siding. Food aid is generally not transported directly from the port to its ultimate

consumers. Rather, WFP told us, the food is trucked to a warehouse, where food aid is often stored prior to distribution to recipient kindergartens, schools, hospitals, and other institutions. North Korean authorities compile the waybills used in the distribution of a particular shipment of food and provide them to WFP, which enters the information into a computer database. WFP and North Korean government authorities co-develop and co-sign food distribution plans and then use the waybills to verify that the distribution to warehouses took place as agreed.

However, North Korean control of the tracking system and the access constraints they impose on WFP prevent WFP from independently verifying at each step of the process that the North Korean authorities have in fact delivered the food to agreed-upon warehouses. North Korean authorities transport and store the food, complete the paperwork, manage the warehouses, and do not allow WFP to conduct unrestricted spot checks along the transportation route or storage sites. Without the ability to conduct random spot checks, WFP cannot independently verify the accuracy of the North Korean paperwork. A WFP official told us, however, that in North Korea no one, including most North Koreans, is granted freedom of movement. He also told us that WFP believes county warehouse managers, who receive copies of the distribution plans, would complain if they did not receive their designated allotment of food. U.S. nongovernmental relief organizations (the Consortium), supported by USAID and USDA and working collaboratively to monitor U.S. donations to North Korea through WFP, use this same tracking system. The Consortium reported to USAID in 1997 and 1998 and told us in August 1999 that because of North Korean restrictions on access, there was no way anyone could independently verify that food was distributed as planned.

According to WFP officials in Rome and North Korea, the tracking system in North Korea was designed primarily to track food aid transported by trucks from the seaport to county warehouses. The system does not track the transportation of some food while it is on trains or barges before it is transferred to trucks for delivery to warehouses. Nor does the system track food during the period when it is transported from the warehouse to the estimated 43,000 institutions where the food is actually distributed to individual beneficiaries. The warehouse manager records shipments from the warehouses to the institutions, and WFP monitors, we were told, can sometimes access and compare these records to those at the recipient institutions. According to WFP, food aid transported by rail may take 7 days to arrive at its destination, and these shipments are not covered by the tracking system during this time. A Consortium member told us that, to be

effective, any food tracking system should provide for independent spot checks and random sampling along the entire distribution system, including the final distribution of food to beneficiaries.

North Korea Precludes Effective Food Monitoring

According to senior WFP officials in Rome and responses to our questions from the North Korea country office, North Korea has not allowed WFP independent, unrestricted access to monitor the food distribution process. WFP officials told us that North Korean authorities

- do not allow WFP monitors to act independently and conduct random monitoring visits;
- have given WFP monitors incomplete information about the numbers, names, and location of institutions and the numbers of beneficiaries at locations receiving its food;
- have rarely allowed WFP monitors to select the institutions they wish to visit; and
- prevent independent monitoring of the distribution of food aid to the vast majority of beneficiary institutions.

WFP estimates that 90 percent of the North Korean institutions receiving food aid have not received monitoring visits, and WFP monitors have rarely been allowed to observe the actual distribution of food to beneficiaries. WFP officials told us that even with complete access, it would not attempt to monitor 100 percent of the institutions receiving its food but would instead monitor a smaller, randomly selected set of representative institutions. WFP has determined that in North Korea a 10-percent sampling rate for monitoring is adequate. However, WFP said that because of North Korean restrictions it is unable to randomly select the institutions it monitors. As a result, WFP (1) cannot generalize its findings from those institutions to which it has been granted access by the government and (2) cannot randomly visit institutions about which, based on previous visits, it may have particular concerns.

According to WFP senior officials in Rome, statements by the WFP Executive Director in August 1999, and WFP's August 13, 1999, weekly report ("WFP Emergency Report"), food is getting to the beneficiaries. As evidence, they referred to the observations of WFP monitors and the Executive Director, based on her August review of WFP operations in North Korea, that (1) attendance at institutions receiving food aid—such as kindergartens and schools—has increased and (2) the condition of the children to whom the bulk of WFP food is supposed to go to has apparently

improved. Consortium reports have also noted that they believed that food was getting to the target population. While noting progress in reaching the needy, the Executive Director also pointed out areas where WFP needs greater cooperation from North Korea. According to the September 1999 report of her visit, the Executive Director emphasized to North Korea's Minister of foreign affairs the need for North Korea to provide WFP monitors greater access and a list of institutions receiving its food.

The North Korean government does not allow WFP to independently visit beneficiary institutions to confirm the amounts of food they receive. Furthermore, a Consortium member told us in August 1999 that North Korean government restrictions made it impossible to ensure that food was getting to the intended beneficiaries because there was no way to independently document where all the food was going. These North Korean government-imposed access limitations and WFP's resulting inability to conduct unrestricted, random spot checks seriously hamper WFP's ability to achieve food aid accountability.

Other Organizations Report Similar Concerns About North Korean Restrictions on Providing Accountability

The Consortium and others have expressed concern over North Korean restrictions on both WFP's and their own ability to adequately account for food and other assistance. The Consortium has monitored distributions of U.S. donations through WFP in North Korea since 1997, and WFP officials told us that the Consortium uses WFP accountability, monitoring, and reporting procedures. The Consortium reported to USAID in 1997 and 1998 and told us in 1999 that, while they feel that most food reaches the intended beneficiaries, the North Korean authorities prevented their effective monitoring of significant amounts of the food distributed. As a result, Consortium monitors reported they could not verify how much food was received by the beneficiaries.

In 1997, the Consortium team reported to USAID concerns about the effect of North Korean constraints on WFP food aid monitoring. The team reported that (1) some areas of the country that had received food aid had never been visited by monitors; (2) donors, such as WFP, had only marginal control over the distribution; (3) monitoring for all donors was restricted to prearranged visits to a limited number of sites and could not be conducted independently; and (4) government-assigned translators—whose first priority was reportedly to protect the image of their government—"covered up" things that they felt the Consortium team did not need to see or understand and worked to restrict the movement of the team. The team concluded: "We saw food, people, warehouses, and officials, but cannot fully verify where the food goes, how it gets there, and whether the

assistance reaches the entire target group." In 1998, the Consortium team reported to USAID concerns about the ability of any organization to maintain adequate control over food donations in North Korea. The team reported that accountability for food aid was inadequate because (1) the Consortium had no control over when or what project site to visit; (2) the number of workers participating in the food-for-work projects appeared inflated by authorities and therefore food may have been distributed to people outside the targeted group; and (3) they remained uncertain of how much food was actually provided to laborers."

USAID, the European Union (EU), and other international relief organizations have expressed concerns about the impact of North Korean restrictions and their inability to adequately account for donations in North Korea

- In 1997, officials of USAID who participated in a donor review of WFP operations in North Korea wrote in their trip report that (1) food distributions seemed "staged," with only a limited number of the enrolled recipients turning out to receive food, and (2) there was less food than they expected, given the agreed-upon distribution plan, in county depots and distribution sites.
- EU, a major donor in the past, had problems monitoring food aid in North Korea, according to a May 1998 report.⁶ After conducting a review of WFP operations in North Korea, EU representatives wrote that WFP's monitoring of food aid could be "more rigorously pursued." In a separate report in March 1999,⁷ European Commission officials wrote that (1) it was seldom possible for EU monitors to follow a distribution of EU food through the North Korean distribution system, (2) the actual number of children per kindergarten or nursery appeared inflated by 25 to 30 percent, (3) the number of patients declared by hospitals where food was provided was likewise largely overestimated, and (4) the EU monitors had doubts as to whether food received by the hospitals was distributed to needy patients.

⁶"Technical Mission to the Democratic People's Republic of Korea, 9 - 16 May 1998," and cover letter, by representatives of Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Sweden, United Kingdom, and the European Commission.

⁷Report on the European Commission's food aid and agricultural rehabilitation program in North Korea during 1998, as prepared for presentation to European Union member states' representatives of the Food Security Management Committee in March 1999.

- In September 1998, the international humanitarian organization Medecins Sans Frontieres (MSF, Doctors Without Borders) ended its nutritional programs and withdrew from North Korea after 1 year because, according to a report by the MSF Head of Mission in North Korea,⁸ (1) North Korean authorities prevented it from evaluating the impact of its assistance, (2) many hospitals inflated their registers with "fake malnourished" children, and (3) the central government attempted to cover up or deny the existence of the most malnourished children and denied MSF access to them. MSF officials told us that it left North Korea because it was suspicious about the lack of access by final beneficiaries to their medical assistance and that they remain convinced—though they lack evidence either way—that a large portion of international food aid is not reaching the needy.
- In May 1999, WFP, dozens of U.S. and international nongovernmental organizations, and United Nations agencies with programs in North Korea held an international conference on humanitarian assistance to North Korea in Beijing, China.⁹ These organizations concluded that North Korea (1) has not accepted international standards to ensure that assistance has reached those in need, (2) has not allowed adequate access to vulnerable groups, and (3) requires prearranged monitoring visits.

Despite concerns about North Korean constraints on WFP's ability to verify the use of food aid, officials of the State Department, USAID, USDA, and Consortium members told us that WFP is doing a good job under difficult circumstances and that they believe that the vast majority of U.S. government-donated food is reaching its intended beneficiaries.

Food Shipped to Counties Later Closed to WFP Monitors by North Korean Military

North Korea is comprised of 211 counties. For reasons of national security or, according to WFP and U.S. nongovernmental groups working in North Korea, in order to prevent foreigners from observing the regions most severely affected by the food shortage, North Korea routinely forbids foreigners entry into many counties. According to WFP officials in North Korea, the number of closed counties—counties where North Korean

⁸"Identification of an At-Risk Group: Socially Deprived Children," released by MSF head of mission (Pyongyang, North Korea: Medecins sans Frontieres, Sept. 11, 1998).

⁹"International NGO [Nongovernmental Organization] Conference on Humanitarian Assistance to the DPR (Democratic People's Republic) Korea: Past, Present and Future, May 3–5, 1999" (Beijing, China). This conference was sponsored by a nongovernmental umbrella organization, InterAction, headquartered in Washington, D.C.

authorities forbid WFP monitoring of its donations—has declined from 174 in 1996 to 49 in 1999, as the North Koreans have developed greater trust in WFP. Currently, WFP has controlled access to 162 of North Korea's 211 counties.

WFP's agreements with North Korea stipulate that WFP shall have access to monitor wherever WFP food is distributed. These agreements are consistent with the frequently stated position of the Department of State—that no U.S.-donated food shall be distributed that cannot be adequately monitored. WFP told us, however, that in 1998 North Korean authorities distributed at least 14,738 metric tons of WFP food to counties that they had previously agreed would be open to WFP monitors but that after distribution, the North Korean military blocked WFP from monitoring how the food was used. The ultimate disposition of the food remains unknown. WFP said that in one incident in May 1998, North Korean authorities trucked food aid to 18 counties previously designated as open and then denied access to WFP monitors. WFP reported that in a second incident in October 1998, North Korean authorities trucked WFP food aid to 26 counties previously designated as open and then again denied access. WFP did not report food aid shipped to the subsequently closed counties as lost or stolen.

As a result of these North Korean actions, WFP, in commenting on a draft of this report, stated that it took the following corrective measures. In May 1998, WFP introduced a policy of "no access-no food." As a result, the delivery of food to counties where WFP had no access was stopped, and the corresponding amount of food aid was deducted from the totals planned for the overall operation. In August 1999, when WFP could not get access to nine counties, WFP decided to reallocate the food originally intended for these counties to provide increased rations for pregnant and lactating women in accessible counties.

WFP Subsidizes North Korean Deliveries of its Donations

To promote North Korea's compliance with the agreed-upon distribution plans, and because WFP relies on the fuel-poor government to transport its food, WFP pays a fuel subsidy to the North Korean government of \$8 dollars for every ton of food transported by truck. WFP reported that as of August 1999 it had paid North Korea over \$5 million in fuel subsidies to help pay for transportation services and that it is due to pay \$2.6 million more for food transported earlier in the year. If WFP learns, through its waybill system, that North Korean authorities have transported food to counties where monitoring is forbidden, WFP can reduce the total fuel subsidy by an amount equal to the subsidy that would have been paid for

transporting that food. For example, as a result of the 14,738 metric tons of food shipped to closed counties in 1998, WFP told us that in late 1998 it withheld \$117,901 in fuel subsidies.

WFP Not Meeting Reporting Requirements, and Loss Rates May Not Be Accurate

WFP guidelines require that the program report to donors on food use upon the completion of an emergency operation, and host governments are required to provide an audit report at the end of each emergency operation. We found that North Korea has not provided any audit reports to WFP as required by its agreements. This has impacted WFP's ability to accurately report back to its donors. We also found that, partly as a consequence, WFP has not provided the latest report to donors. Given North Korean constraints on WFP accountability procedures, WFP cannot be sure of the accuracy of its reports to donors on food use because it cannot independently verify where food aid has been provided.

WFP policy requires it, upon the completion of an emergency operation, to provide reports to donors on the use of food, including losses. WFP officials in Rome told us that WFP has distributed reports to donors on North Korea operations for 1995, 1996, and 1997, but it has not yet met its requirement to provide reports on operations in 1998. WFP officials told us that they are routinely late—frequently over a year—in providing reports to donors, in part because recipient governments are late in providing information to WFP. WFP's project report for 1997, though distributed, is incomplete, and its report for 1998 is late in part because North Korea has not provided food use information to WFP.

WFP agreements with North Korea specify that North Korea must provide an audit report upon the completion of an operation. These audit reports are intended to provide WFP information about the beneficiaries, the quantity and condition of the food received, where it was distributed, any losses, the government's use of WFP subsidies, the nutritional impact of WFP food donations on beneficiaries, and lessons learned. North Korea has not provided any of the audit reports that are due to WFP for programs it has already completed.

WFP policy requires WFP monitors to observe distribution of food aid to verify government reports on food use, which together provide the basis for the Executive Director's reports to donors. Because North Korea does not allow WFP to fully monitor food distribution as its policies require, WFP cannot provide the independent check to ensure the accuracy of government reporting. WFP officials told us that the issue of North Korean

reporting delays "has consistently been raised with the government." They also told us that WFP's Executive Director had discussed the importance of timely reporting to donors with senior North Korean officials. WFP officials could not tell us, however, whether any agreement emerged from this discussion.

Conclusions

The World Food Program is responsible to its donors to provide reasonable assurance that donations are appropriately managed and reach targeted beneficiaries and to provide donors timely and accurate reports on food use in North Korea. Without this information, donors will be unable to make informed decisions to either emphasize to North Korean authorities, through diplomatic means, the importance of better accountability or to decrease their contributions to the World Food Program's operations in North Korea. The World Food Program agrees that because of the North Korean constraints, it is unable to randomly monitor food aid in North Korea. As a result, the World Food Program is unable to provide independent assurance that food aid distributed by North Korean authorities is reaching targeted beneficiaries. North Korean constraints on the World Food Program may also put it in the position of inadvertently paying fuel subsidies to transport food outside the agreed-upon distribution plans. The World Food Program, State, USAID, and USDA officials have emphasized that there is no evidence of significant diversions to the military or governing elite. However, neither is there evidence that the proper amount of food is reaching the intended beneficiaries. Because of North Korean restrictions on monitoring, there is insufficient evidence either way.

Recommendations

In order to comply with State Department policy that no food aid be provided to North Korea that cannot be adequately monitored, we recommend that the Secretary of State direct the U.S. Representative at the U.S. Mission to the U.N. Agencies for Food and Agriculture in Rome, Italy, to

- emphasize to the North Korean representative to the U.N. Agencies for Food and Agriculture the importance of meeting its commitments agreed to in agreements with the World Food Program, including granting World Food Program staff improved access to track and monitor World Food Program food donations and providing required audit reports in a timely fashion, and

- request that the World Food Program's Executive Director provide the U.S. government comprehensive and timely reports on the use of U.S.-donated food in North Korea, including information on (1) North Korea's monitoring restrictions; (2) the impact of monitoring restrictions on the World Food Program's ability to provide independent, accurate reports on food use; (3) the World Food Program's efforts to persuade North Korean authorities to allow the World Food Program to perform independent monitoring; (4) North Korean responses to the World Food Program's suggested improvements; and (5) the use by the World Food Program's Executive Director of her authority to withhold food aid and fuel subsidies as one method of responding to North Korean-imposed constraints to effective accountability.

Should North Korea's cooperation in working to achieve commonly accepted food aid accountability standards—with emphasis on access and independent verification—be unsatisfactory, we recommend that the Secretary of State consider whether a change in U.S. policy on food aid operations in North Korea may be appropriate.

Agency Comments

We requested comments on a draft of this report from the World Food Program, the Departments of Agriculture and State, and USAID. The World Food Program generally agreed with our report findings, detailed its efforts to improve monitoring, noted the strong congressional and administration support for the program, and stated that despite the difficulties of operating in North Korea the humanitarian needs in North Korea were the primary consideration of the program. The Department of Agriculture provided comments orally and was in general agreement with the findings and recommendations in this report. The Department of State and USAID provided written comments. Their comments and our evaluation of them are in appendix I. The World Food Program's written comments are in appendix II. State and USAID stated that they believed the draft (1) relied on the most negative examples available and was overly critical of the World Food Program's ability to provide accountability over U.S. donations, (2) noted a linkage between U.S. food donations and overall national security goals that did not exist, and (3) mischaracterized U.S. policy on monitoring food donations. In addition, USAID stated that famine conditions persist in North Korea, and ample evidence exists that the proper amount of U.S. donations reaches the target population. However, both State and USAID stated that they will work with the World Food Program and the North Koreans to implement our recommendations aimed

at improving accountability over U.S. donations through improvements in monitoring and reporting.

We do not agree with State and USAID on a number of their comments. We believe that we were not overly critical of the World Food Program's ability to provide adequate accountability over U.S. food donations. Our assessment was based on information we obtained from the World Food Program and the Consortium, and officials from these organizations told us that because of North Korean restrictions effective monitoring was not possible. We did not mischaracterize U.S. policy on monitoring U.S. food donations to North Korea. U.S. policy is to insist on adequate monitoring to ensure food is distributed to targeted populations. For example, in October 1998, State said that "no U.S. food aid is distributed if it cannot be monitored." USAID stated that our report could leave the impression that the famine in North Korea was over; however, our report is clear that we did not assess the impact of the famine or food aid needs, although we noted that there is not a consensus on either of these issues. We disagree with USAID that there is ample evidence that the proper amount of food is reaching the beneficiaries. We found that because of North Korean restrictions there is no definitive evidence on how much food aid is needed or that food is reaching the beneficiaries in the proper amounts. Furthermore, because North Korea has refused to allow the World Food Program to conduct follow-on nutritional surveys, the World Food Program cannot use this method to determine whether food aid is being used as intended. Finally, we have revised the report, based on State and USAID comments, to explicitly state the official U.S. position that there is no linkage between food donations and overall national security goals in North Korea.

State, USAID, and the World Food Program also provided technical comments, which we incorporated into the report where appropriate.

Scope and Methodology

To determine whether the World Food Program had established and implemented controls for monitoring and reporting on U.S. government-donated food aid to North Korea, we interviewed senior World Food Program officials at WFP headquarters in Rome, Italy, and the World Food Program's country director for North Korea in Washington, D.C. We also collected written responses to our questions from the World Food Program's country office in North Korea. We solicited additional input from spokesmen of the U.S. private voluntary organization Consortium and other members of nongovernmental organizations active in North Korea,

and we reviewed and assessed World Food Program and Consortium reports to the U.S. government, European Union reports, and nongovernmental conference proceedings. We collected and analyzed information from the Departments of State and Agriculture and the U.S. Agency for International Development. North Korea did not allow us to conduct an in-country review of the World Food Program's procedures and controls in place to prevent diversions.

As an agency of the U.S. government, we do not have audit authority over the World Food Program. Nonetheless, the organization was generally helpful and cooperative in our study.

We performed our review from June 1999 through September 1999 in accordance with generally accepted government auditing standards.

As agreed with your staff, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issuance date. At that time, we will provide copies of this report to other interested committees; the Honorable Madeleine K. Albright, the Secretary of State; the Honorable J. Brady Anderson, Administrator, Agency for International Development; the Honorable Dan Glickman, the Secretary of Agriculture; and Ms. Catherine Bertini, Executive Director of the World Food Program.

If you have any questions about this report, please contact me or Phillip Thomas at (202) 512-4128. Key contributors to this assignment were Ned George and Christian Hougen.

Sincerely yours,

A handwritten signature in cursive script, reading "Harold J. Johnson".

Harold J. Johnson, Associate Director
International Relations and Trade Issues

Comments From the Department of State and U.S. Agency for International Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

September 27, 1999

Dear Mr. Hinton:

We appreciate the opportunity to review your draft report "FOREIGN ASSISTANCE: North Korea Restricts Food Aid Monitoring," GAO/NSIAD-99-240, GAO Job Code 711429.

The Department of State's comments are enclosed for incorporation in the final report. If you have any questions concerning this response, please contact Ms. Ann Galer, Office, of Korean Affairs, Bureau of East Asian and Pacific Affairs, at (202) 647-4743.

Sincerely,

A handwritten signature in cursive script that reads "Bert Edwards".

Bert T. Edwards

cc:
GAO/NSIAD – Mr. Thomas
State/EAP/K – Ms. Galer

Enclosure:

As stated.

Mr. Henry L. Hinton, Jr.,
Assistant Comptroller General,
National Security and International Affairs,
U.S. General Accounting Office.

Appendix I
Comments From the Department of State and
U.S. Agency for International Development

Department of State Comments on the GAO Draft Report
"FOREIGN ASSISTANCE: North Korea Restricts Food Aid Monitoring,"
GAO/NSIAD-99-240, GAO Job Code 711429

The Department of State wishes to thank the General Accounting Office for its review of the World Food Program's operations in North Korea. Like USAID, we regret that your evaluators were not able to travel to North Korea to observe first hand the difficulties the international community faces in such an environment. In our negotiations with the DPRK, we consistently call for greater transparency and access so that we could be more reasonably assured that the monitoring regime is adequate.

See comment 1.

However, the GAO report presents an unbalanced view of WFP's ability to monitor food aid which relies on the presentation of mostly negative examples to draw the conclusion that, since every aspect of aid distribution cannot be randomly monitored, U.S. policy is being contravened. We believe there is ample evidence to conclude that U.S. humanitarian assistance to North Korea, which is channeled through WFP, is reaching those for whom it is intended.

Additionally, the Department is concerned that, in a number of places, the GAO draft either incorrectly states U.S. Government policy or makes statements that do not precisely reflect U.S. policy with respect to the provision of humanitarian assistance and food aid monitoring. The Department requests that corrections be made to the draft so it reflects U.S. policy (with respect to food aid distributions).

Now on p. 1.
See comment 2.

Longstanding U.S. policy is to donate food aid based on humanitarian need. The first paragraph of the cover letter (draft page 1) states that "U.S. national security concerns, including concern about North Korea's development of nuclear weapons and the maintenance of peace on the Korean peninsula, are also part of the underlying rationale for these donations." While the provision of humanitarian assistance may improve the climate in which other aspects of our bilateral relationship with North Korea are conducted, and the DPRK itself sees food aid as a political "quid," our worldwide motivation for the provision of food aid is to meet identified humanitarian needs.

Now on pp. 4, 7, and 19.
See comment 3.

Specifically, with respect to the monitoring of humanitarian assistance to North Korea, U.S. policy is to insist on **adequate** monitoring to ensure food is distributed to the target populations and that there **is no significant diversion** to non-target populations, such as the North Korean military. We respectfully request that references to U.S. Government monitoring policy throughout the GAO report (particularly pages 4, 16, and 19) be modified to reflect our stated policy.

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Comments From the Department of State and
U.S. Agency for International Development**

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As USAID has pointed out, there are many situations where U.S. humanitarian assistance is provided under less than ideal conditions, as it is in North Korea. In those cases, the U.S. and its implementing partners, such as WFP, must make a reasonable judgment that the food aid is reaching its intended recipients and that there are not significant diversions. Information available to the Department of State from WFP, PVOs, and other sources leads us to believe that the food we give through WFP makes it possible for vulnerable segments of North Korean society -- children, hospital patients, pregnant and nursing women, and families in food-for-work programs -- to survive.

Once again, thank you for your report and for the opportunity to comment on it. Once it is finalized, we will use your conclusions and recommendations in our negotiations with the DPRK to press for greater transparency and access wherever the international humanitarian community, especially the World Food Program, operates.

Appendix I
Comments From the Department of State and
U.S. Agency for International Development



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SEP 29 1999

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
441 G Street, N.W. - Room 4039
Washington, D.C. 20548

Dear Mr. Hinton:

Thank you for the opportunity to comment on GAO's draft report entitled "Foreign Assistance: North Korea Restricts Food Aid Monitoring" (September 1999).

It is unfortunate that GAO was unable to visit North Korea to review World Food Program (WFP) operations. Site visits and inspections of actual documentation, plus an appreciation for the unusual and difficult environment for program management, would enhance and strengthen the report.

The draft report is based on a review of WFP's policy statements, reports from the field, and interviews with a variety of individuals who have varying degrees of familiarity with WFP operations. Because GAO is forced to rely on this secondary information to reach conclusions about the adequacy of WFP's food monitoring system, and because the sources selected for inclusion in the report are those with the most negative views, the report presents an unbalanced assessment of the monitoring program.

We know that the North Korean government restricts WFP operations (and those of other donors and PVOs). North Korea is a closed, tightly regulated, and highly militarized society. While WFP has made great progress in building its monitoring staff in North Korea and in gaining access to most of the country, freedom of movement and random access to distribution sites and beneficiaries have not been possible. As a result, the monitoring system is

1300 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20523

See comment 1.

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not ideal. This is the case for many countries in crisis with a need for lifesaving humanitarian assistance such as food aid.

Airdrops into East Timor and Kosovo, Sudan, Somalia, Afghanistan, and numerous other countries present political and security challenges for the delivery of food; and monitoring systems are less than ideal. U.S. policy and our operational goal in these situations is to save lives. Therefore, the realistic goal for the U.S. and its implementing partners such as WFP is to make a reasonable judgment that food will reach beneficiaries without major risk of significant diversion. In North Korea, WFP has done an excellent job under extremely difficult working conditions to meet this goal.

As requested, we are providing an electronic version of the report with our recommended edits. There are several specific points, however, that require explanation:

Now on p. 1.
See comment 2.

- On page 1 of the report, GAO asserts that "...North Korea's development of nuclear weapons and the maintenance of peace on the Korean peninsula ..." are part of the "underlying rationale" for the U.S. food aid program. While coordination has been close between USAID and State -- and any "diplomatic dividend" to the food aid program has always been welcomed -- the rationale for food aid is entirely humanitarian. This is consistent with longstanding U.S. policy and is the position of the Administration.

Now on p. 8.
See comment 4.

- On page 5, the last paragraph asserts that the "...scale of humanitarian suffering in North Korea remains unknown and widely debated..." and that the "...national level of need cannot be accurately determined." While this is technically correct, it casts doubt as to whether there is significant humanitarian need. There may be differences regarding the number of people who have died as a result of famine in North Korea; however, there is no doubt that the famine is real and the humanitarian need is great.

Now on p. 12, 14, and 16.
See comment 5.

- When relating the views of one of the members of the PVO consortium, GAO describes a "Consortium representative" on page 12 and a "Consortium

spokesman" on page 16. These descriptions suggest that this individual speaks for the Consortium and that his views represent a consensus of Consortium members. This seems unlikely, given the range of views on the Consortium. Certainly, the PVOs have encountered many frustrations in North Korea in attempting to monitor food aid, whether through WFP or bilaterally, and they too would like to see improvements in monitoring systems. Nevertheless, they continue their efforts; and presumably this means they also feel that the food is being delivered to those in need.

Now on p. 14.
See comment 6.

- On page 16, the GAO asserts that there is insufficient evidence to demonstrate that the proper amount of food is reaching the intended beneficiaries. To the contrary, there is substantial evidence that food is reaching intended beneficiaries. This comes from WFP's monitoring system, and from the observations of many independent observers who report that the nutritional status of children is much improved since 1997, when hunger was greatest, and prior to the arrival of most U.S. food aid.
- On page 19, GAO speculates that, if there were food diversions, there is a possibility that fuel subsidies would be paid in any case. Since there is no evidence of any significant diversion and, if there were, that would be the greater problem, this sentence should be deleted.

Now on p. 19.
See comment 7.

In conclusion, we are confident that U.S. food aid is reaching intended beneficiaries; we are convinced that our food has made a major difference in reducing malnutrition and saving lives; and we have confidence in WFP and believe that the monitoring system it has put in place is sufficient to allow us to continue providing U.S. food aid.

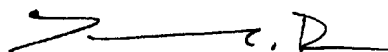
USAID will continue to work for improvements to the monitoring systems used by WFP in North Korea. We will work closely with the State Department and WFP to implement GAO's recommendations, and to seek improved access and oversight of commodity distribution. If at any time we believe adequate monitoring is not in place, or there is

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evidence of a significant diversion of U.S. food aid, we
will initiate measures to terminate U.S. food assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "T. J. Brown", with a stylized flourish at the end.

Terrence J. Brown
Assistant Administrator
Bureau for Management

The following are GAO's comments on the Department of State's and the U.S. Agency for International Development's letters, dated September 27 and September 29, 1999, respectively.

GAO Comments

1. Our draft report did not present an unbalanced view of WFP's ability to monitor food aid or rely on the most negative examples available. We used information from the most knowledgeable sources available: WFP and representatives of the private voluntary organizations active in North Korea. Both organizations have tried to monitor food aid in North Korea for years, and both acknowledge that North Korean restrictions impair their ability to provide the independent, random monitoring needed to verify that food is reaching the intended beneficiaries. WFP also told us that because of these limitations, it has not been able to visit 90 percent of the institutions where food is supposed to be distributed. USAID has paid the Consortium \$4.5 million, in part to report on their ability to monitor food aid. Their reports to USAID, covering 1997 through 1999, document a persistent inability to independently monitor food donations. These limitations were further confirmed by (1) USAID's 1997 assessment of the World Food Program's program in North Korea; (2) the European Commission; and (3) the 1999 Beijing Conference, attended by WFP, other U.N. organizations, dozens of private voluntary organizations, and a State Department representative. In all these cases, they concluded that because of North Korean restrictions it was impossible to conduct adequate monitoring to determine if food was reaching the intended recipients.
2. State and USAID stated that food aid is provided to North Korea on purely humanitarian grounds and that there is no explicit link to U.S. efforts to promote nuclear deterrence and promote peace on the Korean peninsula. We have modified our report as suggested.
3. We did not mischaracterize U.S. policy on monitoring U.S. food donations to North Korea. U.S. policy is to insist on adequate monitoring to ensure food is distributed to targeted populations. For example, in October 1998, State said that "no U.S. food aid is distributed if it cannot be monitored," and in March 1999, the U.S. Department of Agriculture stated that "no food aid to (North Korea) is distributed without WFP monitoring."
4. USAID agreed that the level of food needed in North Korea cannot be accurately determined but expressed concern that our observation could leave the impression that the famine is not real. While there is a consensus that there have been food shortages, we did not attempt to verify the full

impact of the famine on North Korea or estimate the level of food needs. However, we did note, during the course of the review, that there was not a consensus on the precise impact of the famine or the food needs. In commenting on our draft, WFP agreed that the food needs of North Korea could not be precisely determined because of North Korean resistance to conducting a nationwide nutritional survey.

5. We agree with USAID that the Consortium member was not officially a Consortium spokesman and have modified the report accordingly.

6. We disagree with USAID that there is sufficient evidence, as documented by WFP's monitoring systems and the observations of independent observers, to demonstrate that the proper amount of food is reaching the beneficiaries. As we state in the report, we believe that there is insufficient evidence to make this determination. WFP agreed that it has not been able to make random, independent spot checks on any part of the distribution system, and it has not been allowed to visit 90 percent of the institutions where food is supposed to be distributed. Moreover, WFP and Consortium officials told us that, because of North Korean restrictions placed on WFP monitoring, there is simply no evidence that diversions are or are not occurring. We also note that North Korea has not agreed to WFP's plans to conduct a follow-on nutritional survey to determine the impact of food aid. Finally, we found no independent observers who have been given unrestricted access to determine the impact of food aid on the overall target population. This includes the WFP Executive Director and representatives from USAID and State.

7. We disagree with USAID that since there is no evidence of any significant diversions of food, we should delete any reference to the possibility that the fuel subsidies could be paid to help transport diverted food aid. As we noted in the report, given the North Korean constraints imposed on WFP, there is also no evidence that diversions are not occurring. Therefore, references to the payment of fuel subsidies remain in the report.

Comments From the World Food Program



World
Food
Programme

Programa
Mundial de
Alimentos

Programme
Alimentaire
Mondial

برنامج
الغذية
العالمي

The
Executive
Director

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1 October 1999

Mr. Henry L. Hinton
Assistant Comptroller General
National Security and International Affairs Division
United States General Accounting Office
441 G Street NW
Washington, DC 20548

Dear Mr. Hinton:

Re: GAO Report "Foreign Assistance: North Korea Restricts Food Aid Monitoring" (September 1999)

The World Food Programme's food aid operation in North Korea is one of the most sensitive we have ever undertaken and we appreciate all constructive suggestions on how to improve our work in combating the grave food shortages there.

While no two sources agree on the number of deaths from hunger and malnutrition in North Korea in the last few years, there is a consensus that, at a minimum, hundreds of thousands of lives have been lost. What is especially tragic is the intense suffering that has occurred among North Korea's children, suffering that I have witnessed personally in my three visits to the country. Our food aid is, as you know, primarily aimed at reaching out to these children.

The United States contribution has been the most critical factor in enabling WFP to stem the loss of life in North Korea. Without it, we simply would have failed -- since 1995 roughly 70 percent of our cumulative funding has come from the United States. It is not an exaggeration to say that the US donations of food through WFP have a historical significance, reflecting the strong bipartisan support in the United States for continuing humanitarian aid wherever and whenever it is needed without regard to politics. At the same time, in this instance, US food aid has contributed to an improved international political climate and an opening in positive contacts with North Korea that simply did not exist even five years ago. I offer that last point only as an observation -- serious bilateral issues undoubtedly remain. WFP's domain and concerns are humanitarian, not political.

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Appendix II
Comments From the World Food Program

WFP

It is important to note that in addition to WFP assistance, a number of government donors and NGOs have provided very substantial food aid directly to the Government of the DPRK. From the time of our initial involvement in DPRK, WFP has been extremely proactive in encouraging assistance by NGO partners. This has included supporting the creation of and hosting of the Food Aid Liaison Unit in Pyongyang to facilitate NGO activities in the country.

We regret that the GAO Team was not granted visas to visit North Korea since this would have strengthened the analysis and broadened the perspective of the report. On the most critical issue -- the possibility of diversions of food aid to the military or others, there has never been any indication that this has taken place with WFP-provided food. The types of food that the US provides through WFP are primarily coarse grains like yellow maize and wheat. While nutritious, these are not the cereals preferred in North Korea where rice is normally consumed. We also understand that domestic rice production is distributed first to the military, then to the communes and, finally, the remaining supplies enter the public distribution system. WFP will continue to watch as closely as we can to ensure that food aid is not diverted for any purpose whatsoever.

We have made every effort to be transparent about our feeding program in North Korea. On several trips to Washington, I have personally briefed Executive Branch officials and members of Congress on the status of US food aid and US Government staff have taken part in two donor missions visiting North Korea to review WFP operations. We regularly consult with USAID which has been active and constructive in this challenging operation, along with the Departments of State and Agriculture. We are also in contact, at least weekly, with the Permanent Representation of the United States to the Food Agencies based here in Rome.

As the GAO Report notes, there is no doubt that the limits that have been placed on our food aid monitoring have made WFP operations difficult. The limitations imposed by the DPRK Government -- on access to visas for all nationalities, random visits, and further nutritional monitoring -- have been the subject of literally hundreds of meetings and intense negotiations with DPRK authorities. In 1998, after warning the Government of the DPRK that we would not allow food deliveries in counties where they could not be monitored, WFP reduced operations by \$50 million. We continue to urge the North Korean authorities to allow improvements.

The same restrictions on monitoring also apply to the US non-governmental organizations (NGOs) working in the DPRK who are members of a Consortium supported with funds from USAID and USDA. Not one of the Consortium members has pulled out of the country or curtailed deliveries because of the DPRK Government's limits on monitoring. But they all clearly share our view that the climate for donor funding would be helped significantly from the loosening of existing restrictions.

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Appendix II
Comments From the World Food Program

WFP

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Our access to monitor food aid distribution has expanded and, all along, we have been careful to keep the size of our aid program in proportion to our ability to manage it locally. We now have access to 162 counties out of 211, a far greater area than any other aid provider, and WFP staff account for more than half the international aid community resident in the DPRK having climbed from only 3 in 1995 to 46 today. In the last year alone, our average number of monitoring visits has risen sharply from under 200 per month to more than 400 per month and some are now conducted with only 24 hours notice. This is not, as GAO points out, true "random" monitoring and we cannot depict it as such to our donors. Nevertheless, we continue to work hard to reach the goals of random access for monitoring visits and the presence of some international monitors who speak Korean.

Is further progress possible? The answer is definitely yes. We have seen a progressive acceptance by DPRK Government officials of further measures to assure donors that their food aid is being used properly. One major success was the completion of an independent nutrition survey with UNICEF and the European Community, the results of which were endorsed by the Center for Disease Control in Atlanta. They confirmed the gravity of malnutrition among North Korea's young children. Regular visits to feeding sites have allowed WFP staff to see firsthand the positive impact that food aid has had on the condition of children in the kindergartens and schools. We are impressing on the Government of the DPRK the importance of allowing follow-up nutritional surveys so our donors can be fully confident of the continuing need and of the progress we have made thus far.

The pace of progress has picked up, though it is crucial to remember that North Korean society is sociologically unique in the world, imbued with the notion of "juche" or near absolute self-reliance and extraordinarily wary of foreigners. In that context, monitoring can be misconstrued and seen as posing a security risk. DPRK has been largely closed to outside influence and contacts for decades and the exercise of building trust is complicated and time consuming. Nevertheless, as I mentioned above, we have seen progress in our ability to operate in the country and that is ultimately in the interest of all concerned, especially the children, hospital patients, and agricultural workers we now feed.

Attached as a brief annex to this letter are further details on WFP's beneficiaries and scale of operations in North Korea, our food aid monitoring mechanisms, and a note on the scope and methodology of the GAO Report. We hope this will provide greater clarity for members of Congress reviewing this document.

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Appendix II
Comments From the World Food Program

WFP

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In closing, let me assure you that WFP will engage the Government of the DPRK in further negotiations to strengthen what is an historic humanitarian effort -- one that would never have been possible without the generous support of the people of the United States.

Sincerely,

A handwritten signature in cursive script that reads "Catherine Bertini".

Catherine Bertini

Appendix II
Comments From the World Food Program

ANNEX TO THE LETTER OF CATHERINE BERTINI, EXECUTIVE DIRECTOR,
WORLD FOOD PROGRAMME

Summary of current WFP beneficiaries for EMOP 5959.01

<u>No. of beneficiaries</u>	<u>Target group</u>
1,470,000	Young children from 6 months to 4 years
665,000	Kindergarten children between 5 and 6 years
1,362,000	Primary school children between 7 and 11 years
1,947,000	Secondary school children between 12 and 17 years
10,000	Orphans
120,000	Hospital patients
500,000	Elderly
320,000	Pregnant and nursing women
1,650,000	Food-for-work activities

8,044,000	Total beneficiaries

Summary of all WFP projects in DPRK

<u>EMOP</u>	<u>Time Frame</u>	<u>US\$ Value</u>	<u>Tonnage</u>	<u>Beneficiaries</u>
5710.00	Nov 1995 - May 1996	8.8 million	20,925	500,000
5710.01	June 1996 - March 1997	25.9 million	70,550	1,575,000
5710.02	April 1997 - March 1998	170.6 million	333,200	4,700,000
5959.00	April 1998 - June 1999	372.0 million*	657,972*	7,470,000
5959.01	July 1999 - June 2000	278.6 million	584,618	8,044,000
Total		855.9 million	1,669,265	

Note:

* In May 1998, EMOP 5959.00 was scaled back by 55,000 tons to 602, 972 tons, a \$50 million reduction due to access restrictions placed by the Government of DPRK.

WFP operations in the DPRK

Following exceptionally heavy rainfall during July-August 1995, the Government of DPRK formally approached WFP for emergency assistance (28 August 1995). After UN Inter-Agency Assessment Missions visited DPRK in September and October 1995, WFP and FAO jointly approved the first Emergency Operation for DPRK, EMOP 5710 ("Emergency Food Assistance for Flood Victims") to address the needs of 500,000 displaced persons, mainly in the provinces of North Hwanghae, North Pyongan and Chagang. In 1996, in addition to the flood-affected persons, WFP began assistance to 25% of DPRK's children of 5 years of age and under who constituted the largest beneficiary group. In December 1997, EMOP 5959.00 was approved to address the results of two years of severe drought and tidal waves, which followed two years of flooding, and to address the severe food shortage among the general population and especially among children and other vulnerable groups. EMOP 5959.01 which

Appendix II
Comments From the World Food Program



page 2

began in July 1999 and runs to June 2000 is addressing the needs of eight million beneficiaries. The EMOP is based on access to 171 counties, but as average access has been around 163 counties, 29,000MT has been re-programmed in August 1999 to provide a double food ration to pregnant and nursing women.

Food aid distribution in DPRK

WFP's operations in the DPRK are unique in many respects. DPRK is a state run economy and among other things, food reaches the population through an extensive state run distribution network. Food cannot be distributed by any other means. There is no private distribution network of any kind. Thus, WFP and all others use this distribution system in order to reach quickly the targeted beneficiaries. But to ensure that WFP's objectives of reaching those needing food are being met, the Programme has developed systems and alternative procedures to track food aid from the source to beneficiaries.

WFP has developed distribution plans, which track information on each vessel and the types of commodities, and distribution information by provinces, counties, and by categories of institutions (schools, hospitals, etc.) and beneficiaries (children, pregnant women, elderly, etc.) with the total number of beneficiaries in each category. WFP has established a commodity tracking system, called a Consignment Note System, which has served us well in tracking food discharged at the ports to the Extended Delivery Points (EDPs). Beyond the EDPs, WFP conducts monitoring visits and inspections at institutions where food aid is distributed. Distribution data resulting from these monitoring visits are registered in yet another monitoring tool called a Shipment Management Record.

In conducting monitoring visits, WFP has always applied sampling techniques not only in DPRK but in all countries where we operate. In the case of DPRK, WFP has determined that a 10 percent sampling for monitoring yields an adequate representation of the total distribution picture. This provides an acceptable level of assurance to draw reasonable conclusions on institutions not included in our samples and is a higher percentage of sampling than WFP normally conducts.

Scope of the GAO study and audit of the WFP operations in DPRK

With regard to the scope and methodology of the GAO study, we would like to state that it was carried out in accordance with our Financial Regulations and the United Nations (UN) common approach in the handling of reviews of UN organizations by third parties.

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